

## Message Text

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PAGE 01 QUITO 05282 182238Z

21

ACTION ARA-10

INFO OCT-01 ISO-00 FS-01 SCS-03 AID-05 PER-01 HEW-02

TRSE-00 L-03 /026 W

----- 121474

R 182150Z JUL 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 6426

INFO AMEMBASSY BOGOTA

AMCONSUL GUAYAQUIL

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DEPARTMENT ALSO FOR AID; BOGOTA FOR AID/RLA

E.O. 11652: N/A

TAGS: AFSP AMGT PDIP EC

SUBJECT: SOCIAL SECURITY BENEFITS FOR ECUADOREAN FSLE'S

REF: STATE 160397

1. SUMMARY: TWO RECENT DEVELOPMENTS ON THE SOCIAL SECURITY FRONT: FIRST, EMBASSY HAS JUST DISCOVERED SUBSTANTIAL EVIDENCE OF EFFORTS BEGINNING JULY 11, 1971 (QUITO A-148) ON THE POSSIBILITY OF AGREEING TO COVER OUR FSLE'S UNDER ECUADOREAN SOCIAL SECURITY (IESS). THESE LED TO THE DRAFTING OF A USG-GOE AGREEMENT PROVIDING FOR IESS AFFILIATION FOR OUR LOCAL EMPLOYEES, BUT APPARENTLY THIS AGREEMENT FOUNDERED FOR TECHNICAL REASONS INVOLVING DATA PROCESSING. SECOND, GOE HAS RECENTLY DECREED AN EXONERATION FORM FINES OF DELINQUENT EMPLOYERS WHO STEP FORWARD TO REGISTER EMPLOYEES IN IESS BEFORE SEPTEMBER 20TH. END SUMMARY.

2. WITH RESPECT TO THE 1971 AND 1972 DISCUSSIONS, IT APPEARS FROM OUR FIRST LOOK AT THE FILE THAT AGREEMENT WAS ACTUALLY REACHED BY THE DEPARTMENT ON THE PRINCIPLE OF COVERING OF ECUADOREAN EMPLOYEES UNDER IESS. HOWEVER, AFTER A DRAFT USG-GOE AGREEMENT HAD BEEN PREPARED, AND  
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PAGE 02 QUITO 05282 182238Z

AGREEMENT REACHED WITH THE THEN (AND MUCH MORE SYMPATHETIC

THAN THE PRESENT) DIRECTOR OF IESS, WASHINGTON CONCLUDED THAT THE NUMBER OF MAN-HOURS REQUIRED TO RE-PROGRAM THE PAY AND FISCAL DATA DID NOT JUSTIFY THE AGREEMENT. THE INITIAL IMPRESSION CONVEYED BY THE DOCUMENTS IS THAT NEITHER WASHINGTON NOR QUITO SAW INSUPERABLE DIFFICULTIES WITH DIFFERENCES OVER LEAVE AND BENEFITS BETWEEN THE US AND ECUADOREAN SYSTEM.

3. IN A SECOND DEVELOPMENT, THE MINISTRY OF FOREIGN AFFAIRS, IN A NOTE DATED JULY 11, 1975, HAS DRAWN THE EMBASSY'S ATTENTION TO "SUPREME DECREE #424", WHICH PROVIDES FOR AN EXONERATION OF PAYMENT OF FINES TO DELINQUENT EMPLOYERS WHO STEPPFORWARD TO REGISTER THEIR EMPLOYEES WITH ECUADOREAN SOCIAL SECURITY (IESS) BY SEPTEMBER 20, 1975. IN A RECENT CASE INVOLVING EMPLOYERS OF THE FULBRIGHT COMMISSION, THE EMBASSY FOUGHT A PROTRACTED LEGAL BATTLE WITH IESS IN WHICH IT WAS FINALLY DETERMINED THAT NOT ONLY DID THE FULBRIGHT COMMISSION (A) HAVE TO REGISTER ITS EMPLOYEES BUT (B) IT HAD TO MAKE ALL THE BACK PAYMENTS TO "BUY" THE EMPLOYEES' COVERAGE RETROACTIVELY INTO IESS, (C) INTEREST ON THE AMOUNT WHICH HAD NOT BEEN PAID OVER THE YEARS, AND (D) A SUBSTANTIAL FINE FOR NOT HAVING REGISTERED THE EMPLOYEES AB INITIO. NEEDLESS TO SAY, THE INTEREST AND THE FINES WERE QUITE A BIT LARGER THAN THE ACTUAL COST OF BUYING INTO IESS.

4. THE GOE HAS, FROM TIME TO TIME, PROMULGATED THESE "HOLIDAYS" AS AN INCENTIVE TO GET EMPLOYERS TO REGISTER THEIR EMPLOYEES WITH IESS; UNTIL SEVERAL YEARS AGO, IESS WAS SUFFICIENTLY DISORGANIZED AND UNRELIABLE THAT MANY EMPLOYERS AND EMPLOYEES CHOSE TO DEVISE ALTERNATIVE MEANS FOR PROVIDING SOCIAL SECURITY/MEDICAL/RETIREMENT BENEFITS. IN THE LAST FIVE OR SIX YEARS, HOWEVER, IESS HAS GAINED A REPUTATION FOR RELIABILITY THAT HAS SATISFIED MOST EMPLOYEES AND EMPLOYERS ON THIS SCORE. IT HAS, OF COURSE, THE ADVANTAGE OF HAVING THE LAW BEHIND IT, AND STIFF PENALTIES FOR THOSE WHO DO NOT COMPLY.

5. DECREE 424 PROVIDES FOR "EXEMPTION FROM PAYMENT OF FINES AS DETERMINED BY THE LAW FOR FAILURE TO DISCHARGE LIMITED OFFICIAL USE

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PAGE 03 QUITO 05282 182238Z

THE EMPLOYERS' OBLIGATIONS IS GRANTED TO THOSE EMPLOYERS WHO ARE DELINQUENT IN THE PAYMENT OF SUCH OBLIGATIONS AS OF THE EFFECTIVE DATE OF THIS DECREE AND WHO REPAY THEIR DEBTS TO THE IESS IN CASH OR BY CERTIFIED CHECKS IN ACCORDANCE WITH THE FOLLOWING SCHEDULE OF EXEMPTIONS:  
100 PERCENT IF PAYMENT IS MADE WITHIN 120 DAYS FROM THE EFFECTIVE DATE OF THIS DECREE (MAY 23, 1975);  
80 PER CENT IF PAYMENT IS MADE WITHIN THE FIFTH MONTH FROM

THE EFFECTIVE DATE OF THIS DECREE;  
60 PERCENT IF PAYMENT IS MADE DURING THE SIXTH MONTH; AND  
40 PERCENT IF PAYMENT IS MADE DURING THE SEVENTH MONTH."  
(ARTICLE 1, DECREE 424).

6. THE FACT THAT THE MINISTRY OF FOREIGN RELATIONS CHOSE  
TO DRAW OUR ATTENTION TO THIS DECREE LEADS US TO BELIEVE  
THEY THINK IT MAY PROVIDE A QUICK AND RELATIVELY CHEAP WAY  
TO RESOLVE THE PROBLEM. NOTE, HOWEVER, THE DEADLINE BY  
WHICH WE MUST HAVE DECIDED TO AVAIL OURSELVES OF THE IESS  
REGISTRATION "HOLIDAY" AND BOUGHT INTO THE SYSTEM --120  
DAYS FROM MAY 23.  
BREWSTER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SOCIAL INSURANCE, FOREIGN SERVICE LOCAL EMPLOYEES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975QUITO05282  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750250-0088  
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**Handling Restrictions:** n/a  
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**Line Count:** 128  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 160397  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 05 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <05 SEP 2003 by ShawDG>; APPROVED <17 NOV 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SOCIAL SECURITY BENEFITS FOR ECUADOREAN FSLE'S  
**TAGS:** AFSP, AMGT, PDIP, EC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006